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Top 100 Executive Pension Study

TP&C TOWERS, PERRIN, FORSTER & CROSBY

Introduction

This study of executive pensions is based on 1979 proxy statements, the first to incorporate new SEC requirements for disclosing information about defined benefit pension plans to shareholders. The sample consists of 82 of the Top 100 industrials. These organizations elected to display tables of benefit levels in their proxy statements -- one of the two alternative methods of pension disclosure.

Each of the 82 tables shows the amounts payable under the pension plan at various levels of compensation and years of company service. Taking all the tables into account, the pay levels range from $75,000 to $500,000, and company service from 15 years to 40 years.

Keep in mind that pay (or compensation), in this study, means the amounts reported in the benefit tables. Depending on the company, the amount might be actual pay -- salary or total compensation -- or, more probably, the earnings base under the pension plan. The earnings base, in turn, might represent actual pay averaged over three or five or ten years, or even longer.

Thus, in many cases, reported pay is significantly less than actual total compensation just before retirement. Therefore, the replacement ratios -- i.e., the pension benefits as a percentage of reported compensation -- will tend to overstate the extent to which the pension plans replace income in the last year of employment.

The Study's Methods and Results

The study focuses on the benefits promised under the 82 pension plans at $100,000, $200,000 and $300,000 in reported compensation, and after 20, 25 and 30 years of company service. Where these pay levels and years of service do not happen to be included in the table, we used interpolation to estimate the pension amounts.*

Some of the promised benefits surpass the ERISA maximum of 1979; in these instances, we assume the companies will pay the excess out of pocket.

The distribution of replacement ratios among the 82 plans, under the pay and service scenarios, is displayed in Exhibit I. Company service accounts for virtually all the variation in the ratios. Thus, after 20 years' service, the average replacement ratio of the 82 plans is about 31%, regardless of whether pay is $100,000, $200,000 or $300,000. After 25 years' service, the average ratio is 37%; after 30 years' service, 44%.

Moreover, when compensation is between $100,000 and $300,000, the replacement ratios of about 80% of the plans under study fall in the following ranges:

Years of Service	Replacement Ratios
20	20% to 40%
25	25% to 45%
30	35% to 55%

Thus, even without taking into account the 20% of the plans representing the extreme cases, the replacement ratios exhibit wide variation.

Aftertax Replacement Ratios

Consider an executive with reported compensation of $200,000, representing an estimated $120,000 after taxes. For 20 years of service, the average replacement ratio is about 31%. The corresponding pension is $62,000 (31% of $200,000) before taxes, perhaps $45,000 after taxes. A nontaxable Social Security benefit of $7,000 raises aftertax retirement income to $52,000. This total replaces 43% ($52,000 divided by $120,000) of aftertax pre-retirement income.

When we applied the same procedure to the band of replacement ratios encompassing 80% of the plans in the sample, the following generality emerged: For the executive retiring at age 65 with reported compensation of $200,000 and 20 years of service, the aftertax pension benefit and Social Security, together, typically range from about one-third to one-half of aftertax pre-retirement income.

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* Exhibit II; company-by-company data appear in the Appendix.

If the executive has compensation of $200,000 and 30 years of service, the average replacement ratio is 44%. The average pension is $88,000 before taxes, or an estimated $60,000 after taxes. Aftertax retirement income -- including a $7,000 Social Security benefit -- amounts to $67,000, or 56% of aftertax pre-retirement income.

In general, when compensation is $200,000 and length of service 30 years, and retirement occurs at age 65, aftertax pensions plus Social Security typically range from less than one-half to two-thirds of aftertax pre-retirement income.

General Conclusions

This study was designed to develop a rough handle on replacement ratios for highly paid executives under major pension plans. The results suggest that the ratios:

-- vary more with length of service than with compensation

-- generally represent a significant reduction in aftertax income, even in combination with Social Security. If length of service is 20 years, the reductions in income are substantial in some cases.

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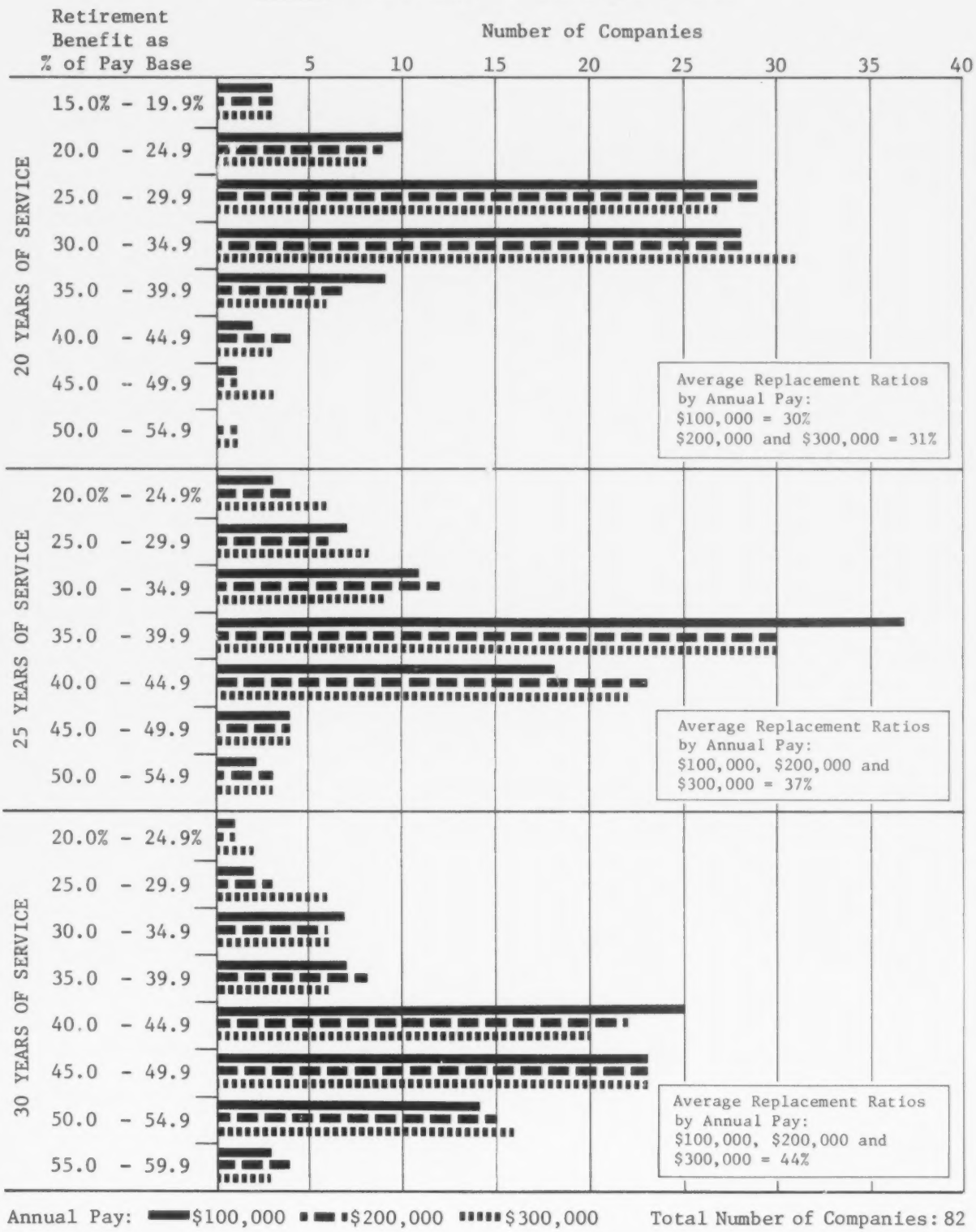
EXHIBIT I

TOP 100 EXECUTIVE PENSION STUDY
INCOME REPLACEMENT RATIOS

Source: 1979 Corporate Proxy Statements



Annual Pay: $100,000 $200,000 $300,000 Total Number of Companies: 82

Note: This table summarizes data derived from the Appendix to Exhibits I and II, excluding one company that shows current pay but projects benefit amounts. Seventeen companies do not show benefit amounts.

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EXHIBIT II

TOP 100 EXECUTIVE PENSION STUDY
SUMMARY OF ANNUAL RETIREMENT BENEFIT AMOUNTS

Source: 1979 Corporate Proxy Statements

Annual Retirement Benefit	Number of Companies								
	$100,000 Annual Pay Base Years of Service			$200,000 Annual Pay Base Years of Service			$300,000 Annual Pay Base Years of Service		
	20	25	30	20	25	30	20	25	30
$ 10 - 19,000	3								
20 - 29,000	39	10	3						
30 - 39,000	37	48	14	3					
40 - 49,000	3	22	48	9	4	1			
50 - 59,000		2	17	30	6	3	4		
60 - 69,000				27	12	6	6	3	1
70 - 79,000				7	30	8	6	5	2
80 - 89,000				4	23	22	23	6	6
90 - 99,000				1	4	24	20	7	4
100 - 109,000				1	3	15	14	10	4
110 - 119,000						3	3	22	4
120 - 129,000							2	15	10
130 - 139,000							3	8	18
140 - 149,000								3	14
150 - 159,000								1	15
160 - 169,000							1	2	1
170 - 179,000									3
Total Number of Companies	82	82	82	82	82	82	82	82	82

Note: This table summarizes data shown in the Appendix to Exhibits I and II, excluding one company that shows current pay but projects benefit amounts. Seventeen companies do not show benefit amounts.

EXHIBIT III

TOP 100 EXECUTIVE PENSION STUDY
PAY BASE FOR BENEFITS

Source: 1979 Corporate Proxy Statements

Summary	Number of Companies
"Final pay" plans (see below)	68
"Career pay" plans	2
Pay base not stated in proxy	13
No pension information in proxy	17
	100

Final Pay Averaging Periods*	Number of Companies
Highest-3	5
Last 3	1
Highest-3 of last 10**	12
	18
Highest-5***	17
Last 5	6
Highest-5 of last 10	22
Highest-5 of last 15	3
	48
Last 10	2

* IRS generally requires that consecutive years be used in determining average pay amounts under qualified plans

** Includes one company that uses greater of highest-3 or highest-5 out of last 10 years

*** Includes one company that uses highest-5 under qualified plan, highest-3 under special executive plan

TOP 100 EXECUTIVE PENSION STUDY
ANNUAL RETIREMENT BENEFIT AMOUNTS

Source: 1979 Corporate Proxy Statements

COMPANY	PAY BASE FOR BENEFIT	$100,000 ANNUAL PAY BASE Years of Service 20	25	30	$200,000 ANNUAL PAY BASE Years of Service 20	25	30	$300,000 ANNUAL PAY BASE Years of Service 20	25	30	COMMENTS
Allied Chemical Corporation	H15/L 10	$36,134	$41,134*	$46,134	$ 76,134	$ 86,134*	$ 96,134	$116,134	$131,134*	$146,134	
Aluminum Company of America	H15	29,450	36,812*	44,175	49,450	61,812*	74,175	69,450*	86,812*	104,175	Before 50% Soc Sec Offset
Amerada Hess Corporation	H15/L 10	28,188*	35,235	42,282*	58,188*	72,735*	87,282*	88,188*	110,235*	132,282*	Before Soc Sec Offset up to 50%
American Brands, Inc.	H15	29,520	37,140*	44,760	50,000	62,500*	75,000	75,000*	75,000*	75,000*	
American Can Company	H15	28,000*	35,000	42,000*	56,000*	70,000	84,000*	84,000*	105,000	126,000*	Before Soc Sec Offset
American Cyanamid Company	Not Shown	25,060	34,560	42,060	57,060	72,060	87,060	87,060	109,460	132,060	
American Home Products Corporation											No benefit table
Armco Inc.	H15/L 10	31,500	39,375*	47,250	63,000	78,750*	94,500	94,500	118,125*	141,750	
Ashland Oil, Inc.											No benefit table
Atlantic Richfield Company	H13/L 10	29,425	36,867*	44,310	59,425	74,367*	89,310	89,425*	111,867*	134,310*	
Beatrice Foods Co.	Not Shown	26,122	32,652*	39,183	54,122	67,652*	81,183	82,122	102,652*	123,183	
The Bendix Corporation											No benefit table
Bethlehem Steel Corporation	H15/L 10	30,000*	37,500	45,000	60,000*	75,000	90,000	90,000*	112,500	135,000	Before Soc Sec Offset
The Boeing Company	H15/L 10	27,108	34,248	41,376	55,620	70,248	84,888	84,120	106,248	128,388	
Borden, Inc.	H15	19,660	23,896*	28,132	39,635	48,121*	56,607	59,607*	72,343*	85,080*	Survivor option basis; excludes contributory amount
CBS Inc.	H15/L 10	32,238	40,297*	48,357	66,238	82,797*	99,357	100,238	125,297*	150,357	
CPC International Inc.	L 5	28,188	35,235*	42,282	58,188	72,735*	87,282*	88,188	110,235*	132,282	Benefit at age 62 or later
Caterpillar Tractor Co.	H15/L 10	30,000*	37,500	45,000	60,000*	75,000	90,000	90,000*	112,500	135,000	Benefit at age 62 or later
Champion International Corporation	H15/L 10	33,340	41,670*	50,000	66,680	83,340*	100,000	100,020	125,010*	150,000	Before Soc Sec Offset; benefit at age 62 or later
Chrysler Corporation	H15/L 15	45,000	50,000	50,000	90,000	100,000	100,000	135,000	150,000	150,000	Before 50% Soc Sec Offset
Cities Service Company	H13/L 10	28,600	35,750*	42,900	58,600	73,250*	87,900	88,600	110,750*	132,900	
The Coca-Cola Company	L 5	29,354*	36,692	43,692	59,530*	73,914	88,692	89,707*	108,081	124,794	

* Amount interpolated from benefit table in Proxy Statement

TOP 100 EXECUTIVE PENSION STUDY
ANNUAL RETIREMENT BENEFIT AMOUNTS

Source: 1979 Corporate Proxy Statements

COMPANY	PAY BASE FOR BENEFIT	$100,000 ANNUAL PAY BASE Years of Service			$200,000 ANNUAL PAY BASE Years of Service			$300,000 ANNUAL PAY BASE Years of Service			COMMENTS
		20	25	30	20	25	30	20	25	30	
Colgate-Palmolive Company	H15/L 10	$34,380	$42,975	$51,570	$ 70,380	$ 87,975	$105,570	$106,380	$132,975	$159,570	
Conoco Inc.	H13	30,091	37,613*	45,136	62,091	77,613*	93,136	94,091	117,613*	141,136	
Consolidated Foods Corporation	H15/L 10	43,173*	51,483	56,483*	89,423*	106,483	116,483*	135,673*	161,483	176,483*	
The Continental Group, Inc.	H15	31,381	39,226*	47,072	64,781*	80,976*	97,172*	98,182*	122,728*	147,273*	
Deere & Company											No benefit table
The Dow Chemical Company	H15	24,500*	31,300*	38,100	54,500*	66,800*	79,100	81,100*	96,000*	110,900	Assuming 50% survivor option
Dresser Industries, Inc.											No benefit table
E.I. du Pont de Nemours and Company	H13	20,573*	25,716	31,488	41,332*	51,252	62,124	59,990*	74,388	89,988	
Eastman Kodak Company	Not Shown	23,401	29,251	35,101	47,593	59,491	71,389	71,785	89,731	107,677	Assuming 50% survivor option
Eaton Corporation	Not Shown	25,002	31,253*	37,504	50,712	63,389*	76,067	76,422	95,528*	114,634	
Esmark, Inc.											No benefit table
Exxon Corporation	H13/L 10	32,000*	40,000*	48,000*	64,000	80,000	96,000	96,000	120,000	144,000	Before Soc Sec Offset
FMC Corporation	H15	30,000	37,500	45,000	60,000	75,000	90,000	90,000	112,500	135,000	Before Soc Sec Offset
The Firestone Tire & Rubber Company											No benefit table
Ford Motor Company	H15/L 10	18,000	22,500*	27,000	36,000*	45,000*	54,000*	54,000*	67,500*	81,000*	Excludes contributory amount
General Dynamics Corporation	Career	39,045	48,537*	58,245	84,045	98,521*	118,245	129,045*	147,546*	178,245*	Minimum benefit based on pay after age 48
General Electric Company	H15/L 10	23,170	28,685*	34,750	45,370	56,710*	68,050	65,720	82,150*	98,580	Benefit at age 62 or later; assuming 50% survivor option
General Foods Corporation	H15/L 10	30,000	37,500*	45,000	60,000	75,000*	90,000	90,000	112,500*	135,000	Before Soc Sec Offset; excludes contributory amount
General Mills, Inc.	H15	33,333	41,666	50,000	66,666	83,333	100,000	100,000	125,000	150,000	Before Soc Sec Offset
General Motors Corporation	L 5	20,086*	25,086	30,086	40,086*	50,086	60,086	60,086*	75,086	85,000	Excludes contributory amount
Georgia-Pacific Corporation											No benefit table
Getty Oil Company	Not Shown	32,069	37,081	45,362	67,069	77,801	93,362	102,069	117,801	141,362	
The Goodyear Tire & Rubber Company	L 10	39,643	45,628	51,612	81,643	93,628	105,612	123,643	141,628	159,612	

* Amount interpolated from benefit table in Proxy Statement

TOP 100 EXECUTIVE PENSION STUDY
ANNUAL RETIREMENT BENEFIT AMOUNTS

Source: 1979 Corporate Proxy Statements

COMPANY	PAY BASE FOR BENEFIT	$100,000 ANNUAL PAY BASE Years of Service 20	25	30	$200,000 ANNUAL PAY BASE Years of Service 20	25	30	$300,000 ANNUAL PAY BASE Years of Service 20	25	30	COMMENTS
W.R. Grace & Co.	H15/L 15	$24,217	$30,271*	$36,325	$ 49,717	$ 62,146*	$ 74,575	$ 75,217	$ 94,021*	$112,825	Assuming survivor option
The Greyhound Corporation	H15	36,300*	42,900*	49,500*	73,000*	86,750*	100,500*	110,500*	131,000*	151,500*	
Gulf Oil Corporation											No benefit table
Gulf & Western Industries, Inc.	H15/L 10	28,340	35,425*	42,510	58,340	72,925*	87,510	88,340	98,100*	98,100	Before Soc Sec Offset
Honeywell Inc.	H15/L 10	37,012	44,885	52,759	70,540	86,650	102,759	103,873*	128,316*	152,759*	Before Soc Sec Offset
Inland Steel Company	H13 or H15/L 10	28,300	36,200*	44,100	59,800	75,750*	91,300	91,300	114,950*	138,600	
International Business Machines Corporation	L 10	30,000	37,500*	45,000	60,000	85,000*	90,000	90,000	112,500*	135,000	Benefit at age 60 or later
International Harvester Company											No benefit table
International Paper Company	Not Shown	52,700	71,425*	90,150	90,150	90,150*	90,150	90,150	90,150*	90,150	Current pay shown; benefit projected with 3½%/year pay increase
International Telephone and Telegraph Corporation	H15/L 10	38,500	46,875*	55,250	78,500	95,625*	112,750	118,500	144,375*	170,250	Before Soc Sec Offset
Iowa Beef Processors, Inc.											No benefit table
Johnson & Johnson	Not Shown	23,900	27,650*	31,400	49,800	56,350*	62,800	75,800	85,900*	96,000	
Kraft, Inc.	Not Shown	19,600	20,750*	21,900	38,100	42,250*	46,400	55,700*	63,450*	71,200*	Excludes contributory amount
The LTV Corporation	H13	50,000*	50,000*	50,000*	100,000*	100,000*	100,000*	150,000*	150,000*	150,000*	Executive at age 60
	H15	28,500	35,625	42,750	58,500	73,125	87,750	88,500*	110,625*	132,750*	Qualified plan, age 65
Litton Industries, Inc.											No benefit table
Lockheed Corporation	H15	29,200	36,500*	43,800	59,200*	65,000*	65,000*	65,000*	65,000*	65,000*	
Marathon Oil Company	H13/L 10	30,400*	38,100*	45,800*	62,400*	78,100*	93,800*	94,400*	118,100*	141,800*	
McDonnell Douglas Corporation	L 5	28,170*	35,212	42,254	58,170*	72,712	80,000	80,000*	80,000	80,000	

* Amount interpolated from benefit table in Proxy Statement

TOP 100 EXECUTIVE PENSION STUDY
ANNUAL RETIREMENT BENEFIT AMOUNTS

Source: 1979 Corporate Proxy Statements

COMPANY	PAY BASE FOR BENEFIT	$100,000 ANNUAL PAY BASE Years of Service			$200,000 ANNUAL PAY BASE Years of Service			$300,000 ANNUAL PAY BASE Years of Service			COMMENTS
		20	25	30	20	25	30	20	25	30	
Minnesota Mining and Manufacturing Company	Hi5/L 10	$35,347	$42,673	$50,000	$ 66,680	$ 81,840	$ 97,000	$ 98,014	$121,007	$144,000	Before Soc Sec Offset
Mobil Corporation	Hi3/L 10	32,000*	40,000*	48,000*	64,000*	80,000*	96,000*	96,000*	120,000*	144,000*	Before Soc Sec Offset; benefit at age 60 or later
Monsanto Company	L 3	20,551*	25,281	30,010*	40,501*	49,731	58,960*	60,451*	74,181	87,910*	
National Steel Corporation	Not Shown	30,000*	37,500	45,000*	60,000*	75,000	90,000*	90,000*	98,100	98,100*	Before Soc Sec Offset
Occidental Petroleum Corporation	Hi5	30,087	37,608*	45,130	60,999	76,249*	91,499	91,912	114,890*	137,868	
Owens-Illinois, Inc.	Hi3	26,846	33,557	40,269	55,417	69,271	83,126	83,989	104,986	125,983	
PPG Industries, Inc.	Hi5	36,800*	44,500	52,200*	68,800*	84,500	100,200*	100,800*	124,500	148,200*	Before Soc Sec Offset
PepsiCo, Inc.	Hi5	41,980	44,480*	46,980	86,980	91,980*	96,980	131,980	139,480*	146,980	
Philip Morris Incorporated	Hi5/L 10	34,128	42,660*	51,191	69,128	86,410*	103,691	104,128	130,160*	156,191	
Phillips Petroleum Company	Hi3/L 10	28,992	36,040*	43,088	59,792	74,340*	88,888	88,192	110,240*	132,288	
The Procter & Gamble Company											No benefit table
RCA Corporation	Hi5/L 10	26,514	33,143	39,771	53,514	66,893	80,271	80,514	100,643	120,771	
Ralston Purina Company											No benefit table
Raytheon Company	Not Shown	28,778	31,312*	33,847	59,626	64,864*	70,103	90,482	98,424*	106,367	Assuming 50% survivor option
Republic Steel Corporation	L 5	28,449*	36,324	44,199*	59,949*	75,699	91,449*	91,449*	115,074	138,699*	
R.J. Reynolds Industries, Inc.	L 5	34,093*	42,616*	51,140*	69,093	86,366*	103,640	104,093	130,116*	156,140	
Reynolds Metals Company	Hi5/L 15	34,380*	42,975*	51,570*	70,380*	87,975*	105,570*	106,380*	132,975*	159,570*	
Rockwell International Corporation											No benefit table
Shell Oil Company	Hi3/L 10	28,000*	35,000*	42,000*	56,000*	70,000	84,000	84,000*	105,000*	126,000*	
The Signal Companies, Inc.	Hi5/L 10	24,900	31,300*	37,700	50,500*	63,250*	76,000*	76,100*	95,200*	114,300*	

* Amount interpolated from benefit table in Proxy Statement

TOP 100 EXECUTIVE PENSION STUDY
ANNUAL RETIREMENT BENEFIT AMOUNTS

Source: 1979 Corporate Proxy Statements

COMPANY	PAY BASE FOR BENEFIT	$100,000 ANNUAL PAY BASE Years of Service			$200,000 ANNUAL PAY BASE Years of Service			$300,000 ANNUAL PAY BASE Years of Service			COMMENTS
		20	25	30	20	25	30	20	25	30	
Sperry Rand Corporation	Career	$31,304	$38,940*	$46,576	$ 66,304	$ 82,690*	$ 99,076	$101,304	$126,440*	$151,576	
Standard Oil Company (Indiana)	Hi3/L 10	33,333	41,666*	50,000	66,667	83,333*	100,000	100,000	125,000*	150,000	
The Standard Oil Company (an Ohio corporation)	Hi3	31,500	39,550*	47,600	64,700	81,250*	97,800	97,900	122,950*	148,000	
Standard Oil Company of California	Hi3	28,400*	35,400	42,400*	57,500*	71,500	85,500*	86,700*	107,700	128,700*	
Sun Company, Inc.	Hi3/L 10	31,442	39,255*	47,069	64,842	80,955*	97,069	98,242*	122,655*	147,069*	
TRW Inc.	Not Shown	26,667	33,333	40,000*	53,333	66,667	80,000*	80,000*	100,000*	120,000*	Before Soc Sec Offset; benefit at age 60 or later
Tenneco Inc.											No benefit table
Texaco Inc.	Hi3/L 10	30,919	38,511*	46,103	63,469	79,061*	94,654	96,019	119,611*	143,203	
Textron Inc.	Hi5	29,010	36,262*	43,515	59,010	73,762*	88,515	89,010*	111,262*	133,515*	
Union Carbide Corporation	Not Shown	28,000*	35,000	42,000	59,000*	73,000	87,000	88,000*	110,000	132,000	
Union Oil Company of California	Hi3/L 10	36,900*	45,050*	53,450*	70,400*	88,000*	105,700*	104,950*	131,450*	158,100*	Before Soc Sec Offset
United States Steel Corporation	Hi5/L 10	23,100*	28,875*	34,650	46,200*	57,750*	69,300	69,300*	86,625*	103,950	Benefit at age 62 or later
United Technologies Corporation											No benefit table
Warner-Lambert Company	Not Shown	30,491	38,114*	45,737	106,000	106,000*	106,000	162,000	162,000*	162,000	
Westinghouse Electric Corporation	Hi5/L 10	27,000	40,000	40,500	54,000	80,000	81,000	81,000	120,000	121,500	Pay base includes 50% of incentive awards
Weyerhaeuser Company	Hi5	29,129*	36,410	43,691*	59,129*	73,910	88,691*	89,129*	111,410	133,691*	
Xerox Corporation	Hi5	33,333*	41,667	50,000	66,667*	83,333	100,000	100,000*	125,000	150,000	Before 50% Soc Sec Offset

* Amount interpolated from benefit table in Proxy Statement

Note: Seventeen companies do not show benefit tables, either because the company's proxy issued in 1979 was not subject to new SEC reporting rules, because the company elected to allocate pension costs to individual executives, or because the primary retirement vehicle is a defined contribution type plan.